MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

DFA5028 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

16 OCTOBER 2017
9:00am – 12:00pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **6** pages with **4** questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Marc Jacob, a new entrepreneur operates a modern home deco business called Ikeano Company in Selangor. He does not keep complete accounting records, but he is able to provide the following information about his financial position as at 1 January 2016: Inventory of furniture RM4,200; Accounts receivable RM6,200; Accounts payable RM3,720; Motor vehicle RM20,000; Fixtures RM13,000; and Motor vehicle expenses owing RM840.

He also provided the following summary of his bank account for the year 2016:

Bank

	(RM)		(RM)
Balance as at 1 Jan 2016	7,300	Payments to creditors	48,280
Receipts from debtors	85,260	Electricity	3,060
Cash sales	8,500	Telephone	1,020
		Rent	5,000
		Advertising	2,300
		Fixtures	6,200
		Insurance	1,700
		Motor vehicle expenses	4,682
		Drawings	24,200
		Balance as at 31 Dec 2016	4,618
	101,060		101,060

The following additional information is available:

1. Motor vehicle is to be depreciated at 20% and Fixtures at 10%, calculated on the book values as at 1 January 2016 plus addition during the year.

2. At 31 December 2016 motor vehicle expenses owing were RM722 and insurance paid in advance was RM460.

3. Included in the amount paid for fixtures were: dining table bought for RM1,200 which he resold during the year at the same price; and a coffee table that cost RM700, which he used for his new house.

4. Other balances as at 31 December 2016 were: Accounts receivable, RM8,024; Accounts payable, RM5,000; and Inventory of furniture, RM9,450.

Instructions:

(a) Prepare the Statement of Affairs as at 31 December 2015 (4.5 Marks)

(b) Prepare the Purchases and Sales Ledger Control accounts 31 December 2016. (2 Marks)

(c) Prepare the ledger for any prepayments or accruals. (2 Marks)

(d) Prepare the Statement of Comprehensive Income for the Year Ended 31 December 2016. (7.5 Marks)

(e) Prepare the Statement of Financial Position as at 31 December 2016. (9 Marks)

(TOTAL 25 MARKS)

Continued...

QUESTION 2

Part A

Jovian Mandagie Shoe Company, a merchandise company that buy and sells imported branded shoes, distributes their inventory to retail stores and extends credit terms of 2/10, n/30 to all of its customers. At the end of December 2016, their inventory had 200 units of shoes at a cost of RM500 each.

During the month of January 2017 the following merchandising transactions occurred:

Jan 1 Purchased 400 units of shoes on account for RM500 each from Evans Distributors, FOB destination, terms 1/10, n/30. The appropriate party also made a cash payment of RM80 for freight on this date.

3 Received a credit memo RM5,000 for 10 units returned to Evans Distributors.

5 Sold 300 units of shoes on account to K-Feet Company for RM750 each, FOB shipping point. The appropriate party also made a cash payment of RM100 for freight on this date.

9 Paid Evans Distributors in full.

10 Issued a credit memo RM15,000 to K-Feet Company for the return of 20 units of shoes that cost RM500 each.

14 Received payment in full from K-Feet Company.

15 Purchased 240 units of shoes on account for RM500 each from Flamingo Supplier, FOB shipping point, term 1/10, n/30. The appropriate party also made a cash payment of RM80 for freight on this date.

18 Received RM8,000 credit for 16 units returned to Flamingo Supplier.

20 Sold 220 units of shoes on account to Bently Shoe Company for RM700 each, FOB Destination. The appropriate party also made a cash payment of RM100 for freight on this date.

24 Paid Flamingo in full.

25 Granted Bently Shoe Company RM5,600 credit for 8 units of shoes returned costing RM500 each.

29 Received payment in full from Bently Shoe Company.

Instruction:

Journalize the above transactions using the perpetual inventory system. (20 Marks)

Continued...

Part B

Match items below with each of the following statements. Answer in the answer sheets provided.

A.	FOB destination	E.	FOB shipping point
B.	Sales discounts	F.	Freight-out
C.	Purchase invoice	G.	Gross profit
D.	Periodic inventory system	H.	Operating expenses

_____ 1. Requires a physical count of goods on hand at the end of accounting period to compute cost of goods sold.

_____ 2. Freight terms that require the seller to pay the freight cost.

_____ 3. Freight terms that require the buyer to pay the freight cost.

_____ 4. Expenses incurred in the process of earning sales revenue.

_____ 5. An incentive to encourage customers to pay their accounts early.

(5 Marks)

(TOTAL 25 MARKS)

QUESTION 3

Part A

Braun Buffle Company, a company that involves in leather business had Accounts receivable on 1 April 2016 worth RM150,000 and Allowance for doubtful accounts RM12,600. Braun Buffle Inc. prepares annual financial statements and following are selected transactions occurred.

Apr 1	Sold RM30,400 of merchandise to Fossil Enterprise, terms n/30.
May 15	Accepted RM30,400, 3 month, 15% promissory note from Fossil Enterprise for the balance due.
24	Sold RM24,000 of merchandise to Rushai Company and accepted RM24,000, 4 month, 5% note for the balance due.
Aug 15	Collected from Fossil Enterprise note in full.
Sept 24	Rushai Company dishonors its note of May 24. It is expected that Rushai Company will eventually pay the amount owed.
Oct 1	Loaned RM24,000 to Furla Trading on a 90 day, 10% note.

Continued...

30	Accrued interest revenue on the Furla Trading note.
Dec 30	Collected the Furla Trading note at maturity.

Instruction:

Journalize the above transactions for Braun Buffle Company. (10 marks)

Part B

Apex Company sold two machines during the year 2016. The detailed information pertaining to the two machines are as below:

Machine	Cost (RM)	Date Purchase	Useful Life	Salvage Value (RM)	Depreciation Method	Date Sold	Sales Price (RM)
A	256,000	1/7/12	5 years	16,000	Straight Line	1/7/16	54,000
B	180,000	1/7/15	5 years	10,000	Double Declining	31/12/16	104,000

Instructions:

(a) Calculate the depreciation expense on each machine up to the date of disposal by using a table format. Show all workings.

(9 Marks)

(b) Prepare journal entries for the year 2016 to record the depreciation expenses and sales of each machine.

(6 Marks)

(TOTAL 25 MARKS)

QUESTION 4

Part A

Match each of the items below. Answer should indicate how the item should be reported in the Statement of Cash Flows, using the indirect method. Answer in the answer sheet provided.

A. Added to net income
B. Deducted from net income
C. Cash outflow—investing activity
D. Cash inflow—investing activity
E. Cash outflow—financing activity
F. Cash inflow—financing activity
G. Significant noncash investing and financing activity

____1. Decrease in accounts payable during a period

____2. Declaration and payment of a cash dividend.

Continued...

____3. Loss on sale of land.

____4. Decrease in accounts receivable during a period.

____5. Redemption of bonds for cash.

____6. Proceeds from sale of equipment at book value.

____7. Issuance of common stock for cash.

____8. Purchase of a building for cash.

____9. Acquisition of land in exchange for common stock.

____10. Increase in merchandise inventory during a period.

(10 Marks)

Part B

Burberry Company owns by Belle, sells imported perfumes from worldwide suppliers. As at 31 December 2016, the company's income statement showed revenues of RM550,000 and operating expenses of RM270,000. Accounts receivable decreased by RM80,000 and accounts payable increased by RM70,000 during the year.

Instructions:

Based on above information, calculate below items by using the direct method.

(a) The total cash receipts from customers. Show all workings. (1.5 Marks)

(b) The cash payments for operating expenses using the direct method. Show all workings.

(1.5 Marks)

Part C

Crystal Corporation's comparative Statement of Financial Position is presented as below.

CRYSTAL CORPORATION
Comparative Statement of Financial Position
As at 31 December

Assets	2016 **(RM)**	2015 **(RM)**
Cash	37,400	45,400
Accounts receivable	49,400	44,600
Investments	50,000	32,000
Equipment	118,000	140,000
Less: Accumulated depreciation	(29,000)	(20,000)
Total	225,800	242,000

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Liabilities & Stockholder's Equity		
Accounts payable	27,200	22,200
Bonds payable	12,000	60,000
Common stock	100,000	90,000
Retained earnings	86,600	69,800
Total	225,800	242,000

Additional information:

1. Net income was RM35,400. Dividends declared and paid were RM18,600.
2. Equipment which cost RM22,000 and had accumulated depreciation of RM4,000 was sold for RM8,000.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

Instructions:

(a) Prepare the Statement of Cash Flows for the year 2016 using the indirect method.

(10 Marks)

(b) Calculate the company's free cash flow for the year 2016.

(2 Marks)

(TOTAL 25 MARKS)

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